

Message Text

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UNCLAS EDINBURGH 081

PASS SECURITIES AND EXCHANGE COMMISSION

E.O. 11652: N/A

TAGS: BBAK, UK

SUBJECT: FRASER SCOTT LTD., 65 KNIGHTSBRIDGE, LONDON SW1 7RA

REF: A. LONDON 07027 B. USDOC 7573 C. EDINBURGH A-12,

APRIL 15, 1977 D. EDINBURGH A-14, SEPTEMBER 27, 1975

(COPENHAGEN A-93 NOT RECEIVED THIS POST)

1. REF. C, WHICH CONTAINS DEROGATORY INFORMATION ABOUT SUBJECT COMPANY, APPARENTLY NOT YET RECEIVED BY ACTION OFFICER AT AMEMBASSY LONDON. THIS TELEGRAM PROVIDES ADDITIONAL INFORMATION AND RECOMMENDATIONS SUPPORTING THOSE CONTAINED IN REF. A.

2. POST STRONGLY RECOMMENDS THAT US CITIZENS HAVE NO DEALINGS WHATSOEVER WITH SUBJECT COMPANY. JONATHAN CLAYTON, PRINCIPAL SHAREHOLDER IN FRASER SCOTT (LONDON) LIMITED AND ANGUS MCPHERSON AND COMPANY, AND HIS CO-DIRECTORS HAVE BEEN FORMALLY CHARGED WITH MULTIPLE COUNTS OF FRAUD IN THEIR DEALINGS WITH AMERICANS AND CANADIANS. REF C. CONTAINS A DETAILED DESCRIPTION OF CLAYTON'S OPERATIONS IN SELLING SCOTCH WHISKY WAREHOUSE
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RECEIPTS. HE HAS APPARENTLY DEFRAUDED SEVERAL THOUSAND PEOPLE BY SELLING THEM COMPLETELY WORTHLESS RECEIPTS REPRESENTING WHISKY WHICH EXISTED ONLY IN HIS FERTILE IMAGINATION AND THAT OF HIS PRINCIPAL SUPPLIER, THE LATE HENRY OST. ALTHOUGH MANY OF THE INVESTORS DID EVENTUALLY RECEIVE WHISKY (SOMETIMES YEARS AFTER THE PURCHASE), WHAT THEY RECEIVED WAS ALWAYS NEARLY WORTHLESS, OVERAGE, GRAIN WHISKY INSTEAD OF THE MORE EXPENSIVE

MALT FOR WHICH THEY HAD PAID. POST HAS JUST LEARNED THAT CLAYTON, ADDING INSULT TO INJURY, ALMOST INVARIABLY OVERSTATED THE AMOUNT OF WHISKY CONTAINED IN THE CASKS IN HIS INVOICES BY ABOUT PLUS 5 PER CENT. AS FAR AS WE HAVE BEEN ABLE TO DETERMINE FRASER SCOTT (LONDON LTD) IS SIMPLY ANOTHER NAME FOR ANGUS MCPHERSON AND CO. THE BOARD OF DIRECTORS, THE ADDRESS, AND THE PURPOSE OF THE COMPANY ARE IDENTICAL. THE OFFICE AT 65 KNIGHTSBRIDGE IS NO MORE THAN A QUOTE RENT-AN-OFFICE UNQUOTE, A MAIL DROP AND TELEPHONE ANSWERING SERVICE USED BY MANY COMPANIES TO ENABLE THEM TO SHOW A PRESTIGE ADDRESS ON THEIR LETTERHEAD. NEITHER FRASER SCOTT NOR ANGUS MCPHERSON ARE LISTED IN THE 1973 OR 1975 EDITIONS OF THE WINE AND SPIRIT INTERNATIONAL YEARBOOK WHICH CONTAINS A COMPREHENSIVE LISTING OF SPIRIT TRADE BROKERS AND MERCHANTS. FROM THIS WE CAN REASONABLY IMPLY THAT NEITHER OF THESE COMPANIES HAVE BEEN INTERESTED IN TRADE DEALINGS WITHIN THE UNITED KINGDOM.

3. CLAYTON AND HIS CO-DEFENDENTS WERE ARRAIGNED AT BOW STREET MAGISTRATES COURT ON APRIL 26, 1977. THIS HEARING HAS BEEN CONTINUED UNTIL MID JUNE BUT ENOUGH EVIDENCE HAS BEEN INTRODUCED THAT, ACCORDING TO THE METROPOLITAN POLICE, THE JUDGE HAS ALREADY DECIDED THAT THERE WILL BE A TRIAL. IT WILL PROBABLY BE SCHEDULED FOR EARLY 1978 TO GIVE CLAYTON'S ATTORNEYS THE SIX MONTHS THEY REQUESTED TO PREPARE A DEFENSE.

4. ON APRIL 29, 1977 POST WAS INFORMED BY AN INVESTOR IN ANOTHER COMPANY (WARDEN WALKER WORLDWIDE) OF FRASER SCOTT'S AD IN THE WALL STREET JOURNAL ON MARCH 18, 1977 WHICH WE ASSUME WAS GENESIS OF INQUIRY IN REF B. WE WERE INVESTIGATING AND PREP-
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ARING TO SEND A WARNING TO DOC AND DEPARTMENT WHEN REF A ARRIVED ON MAY 1. WE FOUND THE AD HIGHLY INTERESTING BECAUSE CLAYTON'S PREVIOUS ACTIVITIES HAD BEEN LIMITED TO SELLING, NOT BUYING WHISKY.

5. WE WERE INFORMED BY THE METROPOLITAN POLICE INSPECTOR WHO HAS BEEN PREPARING CASE AGAINST CLAYTON THAT ON HIS LAST TRIP TO NORTH AMERICA IN FEB 1977 HE HAD SEEN LETTERS SENT BY FRASER SCOTT TO VARIOUS INVESTORS OFFERING TO PURCHASE MALT NOT GRAIN WHISKY. THE WALL STREET JOURNAL AD GOES BEYOND THE LETTER AND OFFERS TO BUY GRAINS, MALTS, AND BLENDS IN ANY AGE IN ANY QUANTITY. AS THESE SOLITICATIONS TO BUY ROUGHLY COINCIDE WITH THE DATE OF CLAYTON'S ORIGINALLY SCHEDULED COURT HEARING, POST BELIEVES THAT HIS PRIMARY PURPOSE IN ENTERING THIS NEW FIELD MAY BE TO RAISE MONEY TO PAY HIS DEFENSE ATTORNEYS. APPARENTLY HIS JUNE 1976 MAIL ORDER SOLICITATION MENTIONED IN REF C DID NOT OBTAIN THE DESIRED RESPONSE. POST HAS STRONG SUSPICION THAT ANYONE WHO HAS MISFORTUNE TO ANSWER THE WALL STREET JOURNAL AD AND DELIVERS WHISKY RECEIPTS TO FRASER SCOTT WILL

LOSE THEIR WHISKY AND RECEIVE NOTHING FOR IT IN RETURN.

6. MR. CLAYTON IS NO DOUBT AWARE THAT RAISING MONEY IN THIS WAY HAS BEEN CARRIED ON BEFORE. SEVERAL YEARS AGO, J.F. HAFFENDEN, A LONG ESTABLISHED WHISKY BROKER, BROUGHT HIS COMPANY TO THE VERGE OF BANKRUPTCY BECAUSE OF THE FAILURE OF AN AMBITIOUS PROJECT PROMOTING WHISKY VENDING MACHINES. IN AN ATTEMPT TO SAVE THE COMPANY AND PAY OFF SOME OF HIS LOCAL DEBTS, HAFFENDEN CONTACTED OVERSEAS WHISKY INVESTORS OFFERING TO BUY THEIR STOCKS ACCORDING TO THE METROPOLITAN POLICE, WHEN HAFFENDEN RECEIVED THE TRANSFER AUTHORIZATIONS OF THE INVESTORS HE HAD THE WHISKY TRANSFERRED TO HIS NAME AND SOLD IT IMMEDIATELY. RATHER THAN PAY THE INVESTORS FOR THE WHISKY, HE KEPT ALL THE PROCEEDS OF THE SALES AND DISPENSED THEM TO HIS LOCAL DEBTORS. THE COMPANY APPARENTLY STILL OWES AT LEAST POUNDS STERLING 150,000 TO 200,000 (DOLLARS 260,000 TO 350,000) TO INVESTORS. MR. HAFFENDEN WAS SERIOUSLY ILL AND ON THE POINT OF DEATH SEVERAL UNCLASSIFIED

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MONTHS AGO: THE COMPANY IS IN LIQUIDATION AND THOSE WHO SOLD THEIR WHISKY TO HAFFENDEN ARE UNLIKELY TO RECEIVE ANYTHING.

7. ADDING TO OUR SUSPICIONS OF CLAYTON'S REASONS FOR HIS OFFERS TO BUY WHISKY, WE LEARNED YESTERDAY FROM POLICE THAT ONE OF FRASER SCOTT'S OTHER DIRECTORS, (AND CLAYTON'S CO-DEFENDENT) HAS RECENTLY EMPTIED ALL FIVE BANK ACCOUNTS BELONGING TO CLAYTON AND HIS COMPANIES. IT WOULD APPEAR THAT THEY ARE PREPARING TO PUT THE COMPANIES INTO LIQUIDATION, WITH MINIMAL ASSETS. RESULT WOULD PROBABLY BE SAME AS IN HAFFENDEN CASE, THOSE OWED MONEY BY FIRM WOULD RECEIVE LITTLE OR NOTHING.

8. POST HAS COMPILED A LIST OF REPUTABLE WHISKY BROKERS WHICH WE MAIL TO ANYONE REQUESTING IT. WE HAVE HAD NO COMPLAINTS OF BUSINESS PRACTICES OF ANY OF THE FIRMS ON THIS LIST. WE HAVE HAD, HOWEVER, GREAT DIFFICULTY WITH FIRMS SUCH AS CRAIGMOHR WHISKY MARKETING, JAMES G. ALLEN AND HOUSE OF PATTERSON, WHICH ACTIVELY SOLICIT SMALL LOTS OF WHISKY FROM OVERSEAS INVESTORS. WHILE WE ARE NOT AWARE OF ANYONE NOT HAVING EVENTUALLY RECEIVED PAYMENT FROM THESE COMPANIES FOR THEIR WHISKY, DELAYS OF UP TO A YEAR OR MORE ARE NOT UNCOMMON AND THE POST CONTINUES TO EXPEND A CONSIDERABLE AMOUNT OF TIME CONTACTING THESE FIRMS AT THE REQUEST OF EXASPERATED AMERICANS. IT FREQUENTLY TAKES THREE OR MORE PHONE CALLS FROM THE POST TO THE FIRM BEFORE THE SELLER FINALLY RECEIVES PAYMENT. POST WOULD STRONGLY SUGGEST THAT AMERICANS MAKE INITIAL OFFERS TO SELL TO THE FIRMS ON OUR LIST AND CONTACT FIRMS THAT ADVERTISE FOR THEIR WHISKY ONLY IF THEY ARE NOT ABLE TO GET ACCEPTABLE OFFERS FROM THE FIRMS ON OUR LIST. THE MAN MENTIONED IN PARAGRAPH 4 ABOVE WAS ABLE TO SELL HIS

WHISKY TO AN EDINBURGH BROKER ON OUR LIST FOR A SUBSTANTIALLY
HIGHER PRICE THAN THAT OFFERED BY WARDEN WALKER. WHILE THE
BROKERS WE HAVE RECOMMENDED MAY NOT ALWAYS PAY TOP PRICE, THIS
MAY BE AN INDICATION.

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9. ADDITIONALLY, DOC MAY WISH SUGGEST THAT INTERESTED INVESTORS
REQUEST WTDRS ON ANY FIRM THEY WISH TO CONSIDER USING TO MARKET
THEIR WHISKY, INCLUDING THOSE ON OUR LIST. THEY SHOULD, OF
COURSE, KEEP IN MIND THAT WTDRS MAY NOT BE COMPLETELY RELIABLE
AS POINTED OUT IN PARA 1 REF A. POST LIST OF RECOMMENDED
BROKERS AND COPY OF OUR REF C HAVE BEEN SENT TO MARVIN BELDEN,
OIM/BIC/ROOM 4217 USDOC, AND LLOYDS F. RYAN JR. AT SEC.

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